

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7211**

**BILL NUMBER:** HB 1001

**NOTE PREPARED:** May 6, 2015

**BILL AMENDED:** Apr 29, 2015

**SUBJECT:** State Budget.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *State Budget*- This bill appropriates money for capital expenditures, the operation of the state, the delivery of Medicaid and other services, and various other distributions and purposes.

**K-12 Education Provisions-**

The bill provides for the determination of state funding of public schools for FY 2016 and FY 2017.

The bill extends the School Performance Grant Program through the 2016-2017 school year, and makes changes in the calculation and use of the grant for stipends to teachers.

It repeals the statutes establishing the Education Roundtable and makes conforming amendments and provides that the Commission for Higher Education (CHE) or Department of Education shall carry out certain duties currently performed by the Education Roundtable.

It places a cap on the number of adult learners that are to be funded in each state fiscal year.

It also removes the Choice Scholarship cap of \$4,800 for students in Grades 1 through 8.

This bill establishes a Charter and Innovation Network School Grant Program, and a Charter School and Innovation Network School Advance Program as part of the Common School Fund, and provides that the State Board of Education is to administer the programs.

The bill provides that the Department of Education is to provide any data to the State Board of Education

that the state board determines is necessary to perform the state board's duties under law. It provides that the state board may place a school in a category or designation of school performance only if: (1) the department has provided each school the opportunity to review, add to, or supplement the data, and to correct any errors in the data; and (2) the state board's staff has had an opportunity to review and analyze the school corporation, school, and student-level data. It also provides that the state board may obtain assistance from the Legislative Services Agency with the approval of the Legislative Council or another entity to ensure the validity and reliability of the performance category or designation placements calculated by the department.

The bill allows school capital projects funds to continue to be used for utilities and insurance until July 1, 2017.

The bill also establishes a grant program for school corporations that merge their administrative functions or merge their governing bodies.

The bill requires the Department of Education to furnish information before August 1, 2015, to all affected teachers and schools about implementation of the ISTEP program for the 2016 testing dates.

It repeals the requirement that the Department of Education must develop a financial literacy program.

This bill also provides that the governing body of a school corporation may appropriate an amount for remediation programs for students enrolled in kindergarten through Grade 12 not to exceed 1% of the state tuition support that the school corporation receives for the school year. The bill also provides that the governing body of a school corporation must adopt a written plan for a remediation program of a subset of students enrolled in kindergarten through Grade 12 before the governing body may spend money for the remediation program. The bill also provides that a school employer shall discuss with an exclusive representative of teachers the subject of funding for a remediation program for any subset of students enrolled in kindergarten through Grade 12.

#### Higher Education Provisions-

The bill specifies higher education capital projects authorized to be constructed using bonds.

The bill provides for an alternative probationary period to meet annual sale or renewal requirements for independent colleges participating in the special group recognition license plate program.

The bill specifies that the General Assembly urge the Governor to appoint at least one resident of Allen County to the board of trustees of Purdue University.

The bill requires the CHE, in consultation with postsecondary educational institutions, to adopt, not later than August 1, 2015, guidelines for postsecondary educational institutions concerning the administration of the Return and Complete Project.

It also requires the CHE to review the programs offered by Ivy Tech Community College that have low graduation rates, and authorizes the CHE to require the restructuring of such programs or to eliminate the programs.

It also requires the CHE to annually determine the percentages of students at each state educational institution that are charged tuition based on: (1) resident tuition rates; and (2) nonresident tuition rates. The

CHE is to report the information to the Budget Committee and Legislative Council before December 1 of each year.

The bill provides for the development of Indiana University-Purdue University Fort Wayne as a multisystem metropolitan university and requires Purdue University and Indiana University to make findings and recommendations concerning the role and governance of Indiana University-Purdue University Fort Wayne. It also specifies that the topic for program evaluation by the Legislative Services Agency in 2015 is governance of Indiana University-Purdue University Fort Wayne and potential models for governance of Indiana University-Purdue University Fort Wayne after June 30, 2016.

This bill authorizes state educational institutions to issue bonds for the payment of retirement liabilities resulting from a withdrawal from a pension fund or a freezing of participation in a pension fund administered by the Indiana Public Retirement System.

It provides that Indiana State University may not lease or transfer any ownership interest in the Hulman Center unless the proposed lease or transfer of an ownership interest has been reviewed by the Budget Committee.

The bill requires the CHE to review the tuition increases (if any) at each state educational institution for the 2015-2016 and 2016-2017 school years and submit a report to the Budget Committee and the Legislative Council.

#### State Administration-

*General Fund Reserves-* This bill specifies that for financial reporting purposes, the state's combined General Fund reserves include the balances of the General Fund, the Medicaid Contingency and Reserve Account, the state Tuition Reserve Account, and the Counter-cyclical Revenue and Economic Stabilization Fund (less any outstanding loans). It changes the state Tuition Reserve Fund to an account within the state General Fund.

*State Budget Agency Procedures-* This bill prohibits the Budget Agency from enforcing a policy or procedure against certain agencies and officials by refusing to allot money from the Personal Services/Fringe Benefits Contingency Fund to the official or agency. The bill specifies that the budget report must include a list of tax expenditure items. It also prohibits the Budget Agency from withholding appropriations for a state educational institution without review by the Budget Committee.

*State Bicentennial Capital Account-* This bill establishes the State Bicentennial Capital Account to provide funds for capital projects that commemorate the bicentennial of Indiana's statehood and provides that money generated from the lease of communications systems infrastructure (including under a public-private partnership) shall be transferred to the account to be used for capital projects that commemorate the bicentennial of Indiana's statehood.

*State Archives-* The bill provides that a facility to house some or all of the state archives or to be used in the administration of the state archives may not be located on land bound by New York Street, Ohio Street, West Street, and Senate Avenue in Indianapolis.

*Office of State-based Initiatives-* The bill establishes the Office of State-Based Initiatives.

*State Board of Accounts-* This bill increases the fee for taxing units for State Board of Accounts audits from \$45 per day to \$175 per day. The bill specifies that the fee for state colleges and universities is the direct and indirect cost of an examination (now \$83 per hour) and permits a state college or university to have its examination performed by an independent certified public accounting firm. It provides that fees collected for audits are to be deposited in the State Board of Accounts Trust and Agency Fund and makes the fund a dedicated fund that can be used to cover expenses of doing audits.

*Indiana Tourism Council-* This bill changes the membership and appointing authorities of the Indiana Tourism Council and provides that the council approves or denies applications submitted to the Office of Tourism Development for the Statewide Tourism Marketing Development Program.

*Secretary of State Filing Fees-* This bill increases various filing fees charged by the Secretary of State after June 30, 2016, for filing paper documents under the Indiana business corporation law, the Indiana Uniform Partnership Act, the limited partnership statute, the Indiana nonprofit corporation act, and the Indiana business flexibility act (limited liability companies).

#### *Tax Provisions-*

*Gary Community School Corporation-* This bill provides that the Distressed Unit Appeal Board (DUAB) may hold a public hearing to review the budget, tax levies, assessed value, debt service requirements, and other financial information for the Gary Community School Corporation, and the DUAB may, with the consent of the school board, select a financial specialist to take financial control of the Gary Community School Corporation.

*Tax Credit for Certain For-Profit Hospitals-* The bill provides an income tax credit for certain for-profit hospitals equal to 10% of the property taxes paid in Indiana for property used as a hospital.

*EDGE Credits-* The bill provides that the aggregate amount of EDGE tax credits that may be awarded by the IEDC in FY 2016 for projects to create jobs may not exceed \$225,000,000.

*Tax Amnesty Program-* The bill requires the Department of State Revenue to establish a tax amnesty program.

*Tax Credit for Natural Gas-Powered Vehicles-* This bill provides that the tax credit for natural gas-powered vehicles applies to taxable years beginning after December 31, 2012 (rather than after December 31, 2013, in current law). The bill specifies that to the extent a person claims a tax credit for natural gas-powered vehicles for placing a qualified vehicle into service in 2013, the person may claim such a credit only against sales tax liability on transactions occurring after June 30, 2015, that involve a natural gas product and that are subject to sales tax because natural gas products are excluded from the sales tax exemption for acquiring the property used or consumed in providing public transportation for persons or property. It provides that the \$150,000 cap on the amount of the tax credits that may be granted to a person for a particular taxable year does not apply to a taxable year beginning after December 31, 2012, and before January 1, 2014.

*Tax Credit for Classroom Supplies-* The bill provides that an individual employed as a teacher is entitled to a credit against the individual's adjusted gross income tax liability for amounts expended on classroom supplies up to a maximum of \$100 per taxable year.

*School Scholarship Tax Credits-* The bill increases the maximum amount of school scholarship tax credits that may be awarded in a state fiscal year to \$8,500,000 beginning FY 2016, and to \$9,500,000 beginning FY 2017 and for state fiscal years thereafter.

*Historic Preservation Grant Program-* The bill establishes a historic preservation grant program and provides that the income tax credit for historic preservation does not apply to expenditures made after June 30, 2016.

*Social Services, Medicaid, and HIP-*

*211 Human Services Information-* This bill amends the statute concerning the telephone 211 dialing code for human services information to add assistance concerning: (1) domestic violence; (2) infant mortality; (3) veterans; (4) senior citizens; (5) vulnerable children; and (6) public health; to the enumerated services included within the term "human services". The bill requires the Utility Regulatory Commission (IURC) to consult with the board of directors of Indiana 211 Partnership, Inc., in preparing the required annual plan for the expenditure of the money in the 211 services account and provides that the plan must include a strategy or plan to address certain specified human services issues. The bill requires the annual report to describe each toll-free telephone number operated by a state agency or an instrumentality of the state for purposes of providing an information resource for human services and social services. The IURC is to report to the Budget Committee concerning the feasibility of having 211 service providers take over the operation of such toll-free telephone numbers.

*Healthy Indiana Plan and Medicaid Provisions-* The bill establishes the Healthy Indiana Plan 2.0.

The bill amends language concerning the Healthy Indiana Plan and the hospital assessment fee to address the implementation of the Healthy Indiana Plan 2.0 for individuals who meet certain federal income poverty level requirements. It includes Budget Committee review of tied votes and other approved measures.

*Reimbursement Rates-* This bill requires the Division of Disability and Rehabilitative Services to increase the reimbursement rate for services provided to certain individuals who receive services under a waiver under the federal Home and Community-based Services Program. The reimbursement rate is to be increased by an amount equal to: (1) 2.5% of the current reimbursement rate for FY 2015; and (2) 5% of the current reimbursement rate for FY 2016.

The bill specifies that Medicaid reimbursement rates for ICF/MRs and community residential facilities for the developmentally disabled are to be 3% greater than the reimbursement rate in effect on December 31, 2013.

The Office of Medicaid Policy and Planning is to conduct a review of rates payable under the current Medicaid fee structure and provide recommended rates for the Medicaid fee structure to the Budget Committee and Legislative Council before December 1, 2015.

*Economic Development-*

*Marion County Capital Improvement Board-* This bill provides that if all principal and interest on the obligations issued by the Marion County Capital Improvement Board (CIB) to the Treasurer of State in CY 2009 are paid before July 1, 2015, the term of the obligations issued by the CIB to the Treasurer of State in CY 2010 is extended until 2025. The bill specifies that if: (1) the CIB before July 1, 2015, adopts a resolution

to establish a bid fund to be used to assist in securing conventions, sporting events, and other special events; and (2) the CIB deposits in the bid fund amounts equal to the principal and interest payments that would otherwise be made under the repayment schedule on the obligations issued by the CIB in calendar year 2010; the CIB is not required to make those principal and interest payments to the Treasurer of State at the time required by the repayment schedule

*Motorsports Investment District Fund-* This bill modifies the funding request procedure related to the Motorsports Investment District Fund and provides that a county, city, or town may apply to the Indiana Economic Development Corporation (IEDC) for a grant from the fund.

*Regional Cities-* This bill establishes the Indiana Regional Cities Development Fund to support the regional cities initiative of the IEDC. The bill provides that after the first \$84,000,000 collected under the tax amnesty program is paid to the Indiana Regional Cities Development Fund.

*Airport Improvement Project-* The bill provides that payment of federal participating funds for an airport improvement project authorized under certain federal programs shall be made to the municipality.

*21<sup>st</sup> Century Research and Technology Fund-* This bill provides for changes to the Twenty-first Century Research and Technology Fund approval process. It also provides that in FY 2016 and in FY 2017, upon request by the Budget Agency an amount of not more than \$10,000,000 shall be transferred from the Department of Insurance Fund to the Indiana Twenty-first Century Research and Technology Fund.

#### Transportation Provisions-

*Hoosier State Rail Line-* The bill provides that \$6,000,000 collected under the tax amnesty program (after the Regional Cities transfer) is transferred to the department to reimburse the department for money expended by the department for the operation of the Hoosier State Rail Line from money appropriated to the department for other purposes.

The bill provides that after review by the Budget Committee and approval by the Budget Agency, money appropriated to the Department of Transportation for any purpose may instead be expended by the department to provide for operation of the Hoosier State Rail Line.

*Major Moves-* This bill permits the Budget Agency, after review by the Budget Committee, to make transfers from the state General Fund to the Major Moves Trust Fund each year of the biennium, and if such a transfer is made, allows the Budget Agency, after review by the Budget Committee, to make a transfer from the trust fund to the Major Moves Construction Fund.

*Regional Development Authority Provisions-* The bill creates a program to provide state matching grants to the Northwest Indiana Regional Development Authority (RDA) for projects extending the Chicago, South Shore, and South Bend Railway and requires the RDA to make certain commitments in order to receive a grant. It also requires a return on investment analysis. It also requires review of grant applications by the Budget Committee and approval by the Indiana Finance Authority.

The bill also establishes the Northwest Indiana Regional Development Authority Commuter Rail Construction Fund.

### Court Provisions-

*Problem-Solving Courts-* This bill provides that a problem-solving court that is a veteran's court may assume jurisdiction over a veteran who: (1) meets certain eligibility requirements; and (2) is referred to the problem-solving court by a court in another jurisdiction. The bill specifies that a court may consider as a mitigating factor that a person convicted of a crime has posttraumatic stress disorder, traumatic brain injury, or a postconcussive brain injury. It also provides that if a court suspends a sentence and orders probation for such a person, the court may require the person to receive treatment for the person's injuries.

*Automated Record Keeping Fee and State User Fee Fund-* The bill provides that the document storage fee is \$5 after June 30, 2015, and before July 1, 2017, and \$2 after June 30, 2017. The bill also provides that after June 30, 2015, and before July 1, 2017, in a county not operating under the state's automated judicial system, \$3 of the document storage fee may be used for purposes of the county's case management system. It provides that after June 30, 2015, and before July 1, 2017, the automated record keeping fee collected for civil, criminal, infraction, and ordinance violation actions is \$19 (other than for actions resulting in pretrial diversion or deferral, for which the fee remains at \$5). It also provides that the automated record keeping fee after June 30, 2017, is \$5 for all violations. It also changes the date of SEA 415-2015, SECTION 28, from July 1, 2015, to upon passage.

*Enhanced Enforcement Drug Mitigation Area Pilot Program-* The bill establishes the Enhanced Enforcement Drug Mitigation Area Pilot Program administered by the Indiana Criminal Justice Institute.

### Miscellaneous Provisions-

*Securities Rating Settlement Fund-* The bill establishes the Securities Rating Settlement Fund for the purpose of depositing and distributing money received under a multistate agreement related to litigation concerning securities rating agencies.

*Retirement Medical Benefits Account-* The bill removes the existing June 30, 2017, retirement deadline for a participant in the retirement medical benefits account to receive additional contributions made to the participant's account. The bill provides that a participant in the retirement medical benefits account who retires after July 1, 2017, is entitled to receive an additional contribution when the participant retires, if the participant is eligible to receive a normal, unreduced retirement benefit from the Public Employee Retirement Fund of which the participant is a member on or before July 1, 2017. It also provides that the additional contribution is computed using the participant's years of service as determined on July 1, 2017, and that in the case of such a participant who on June 30, 2017, is eligible for an additional contribution, no further annual contributions shall be made to the participant's account after June 30, 2017.

*Leave Conversion Program-* The bill extends the Leave Conversion Program for employees of the legislative and judicial departments through June 30, 2017.

*Thirteenth Check-* The bill provides for a thirteenth check in 2015 for specified members of certain public pension funds.

*Racino Provisions-* This bill provides that certain distributions from racino licensees that are used by the State Fair Commission to make grants to the county fairs may also be used to make grants to the Department of Parks and Recreation in Johnson County. The bill requires matching funds and requires a licensee to annually withhold \$75,000 per racetrack operated by the licensee from the amount that must be distributed for the support of the Indiana horse racing industry. It requires a licensee to transfer the amount withheld to

the Indiana Horse Racing Commission for deposit in the Gaming Integrity Fund and specifies that the money transferred must be used for drug testing race horses.

*Study Provisions-* The bill urges the Legislative Council to assign to various study committees the topics of studying the EDGE tax credit program, school capital projects funds, charter schools, and special education for developmentally delayed children.

*Postwar Construction Fund-* The bill provides that one cent per gallon of the beer excise tax that is currently being distributed to the Postwar Construction Fund (from the total of four and three-fourths cents currently being distributed for this purpose) shall instead be deposited in the Enforcement and Administration Fund.

*Public-Private Agreements for Facility Projects-* The bill permits a public-private agreement to be used for Potato Creek State Park, Larue Carter Hospital, and state-owned cell towers.

*Public Works Projects-* This bill makes drafting and technical corrections to HEA 1019-2015 and delays until July 1, 2016, the application of the following requirements to public works projects that were in HEA 1019-2015: (1) That a contractor be qualified by the Department of Administration or the Department of Transportation before doing any work on a public works project. (2) That a contractor that employs 10 or more employees provide access to an appropriate training program. (3) That a tier 1 or tier 2 contractor that employs 50 or more journeymen participate in an apprenticeship or training program for those employees. (4) That a contractor that is awarded a public works contract with an estimated cost of at least \$150,000 by a public subdivision have an employee drug-testing program. The bill reduces the "small project" cap for political subdivision public works projects from \$300,000 to \$250,000. The bill also adds programs of additional federal and state agencies to the list of acceptable training programs and specifies that a contractor submit employee E-Verify information to the public agency letting the public works contract. It repeals an unnecessary criminal statute cross-reference concerning the common construction wage.

*Statewide 911 Board-* The bill requires the Statewide 911 Board to hold distributions in reserve until the county complies with the requirement of a maximum of two PSAPs.

*Minimum Cigarette Pricing-* The bill increases, for purposes of determining minimum cigarette pricing, the presumed cost of doing business from 10% to 12% of the basic cost of cigarettes to the retailer.

*Political Subdivision Risk Management Fund / Political Subdivision Catastrophic Liability Fund-* The bill provides that the Auditor of State shall on July 15, 2015, transfer to the state General Fund all but \$5,000,000 of the combined balances in the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund. It also requires the commissioner of the Department of Insurance to report to the Budget Committee in 2016 regarding any outstanding liabilities of those funds.

**Effective Date:** Upon passage; January 1, 2013 (retroactive); January 1, 2015 (retroactive); February 1, 2015 (retroactive); June 29, 2015; June 30, 2015; July 1, 2015; January 1, 2016.

**Explanation of State Expenditures:** The bill has the following state expenditure impacts.

*State Appropriations:* The following summary is for state appropriations that are provided in this bill for FY 2016 and FY 2017.



<b>Appropriations by Function</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>For the Biennium</b>
General Government	\$574,901,126	\$575,657,703	\$98,280,049
Corrections	719,379,116	719,926,544	
Other Public Safety	258,024,349	250,899,281	7,238,010
Conservation and Environment	77,183,130	75,209,457	
Economic Development	72,685,735	72,001,149	44,712,268
Transportation	43,000,000	44,000,000	
FSSA Administration	64,169,956	63,749,430	
Medicaid	2,027,243,707	2,241,931,002	
Mental Health and Addictions	259,577,558	269,958,737	
Family Resources	131,196,795	131,065,230	
Aging Services	63,522,538	63,496,822	
Disability and Rehabilitative Services	121,168,979	121,076,164	
Department of Child Services	554,106,026	554,268,041	
Public Health	32,643,508	31,761,440	
Other Health and Human Services	31,503,431	31,338,919	20,000
State Student Assistance	363,447,988	349,182,108	
Other Higher Education	1,520,858,683	1,552,416,179	
Education Administration	22,392,898	21,932,818	
Tuition Support	6,849,703,000	7,017,427,000	
Other Local Schools	227,888,051	233,426,069	
Teacher Retirement	836,800,000	841,000,000	
Other Education	7,835,131	7,708,121	20,350
Distributions *	261,429,233	253,583,087	
<b>Total Operating</b>	<b>\$15,120,660,938</b>	<b>\$15,523,015,301</b>	<b>\$150,270,677</b>
Construction - Higher Ed			\$92,640,330
Construction - Other			\$468,554,723
Total Construction	\$0	\$0	\$561,195,053
<b>Total GF (Operating + Construction)</b>	<b>\$15,120,660,938</b>	<b>\$15,523,015,301</b>	<b>\$711,465,730</b>
Lottery and Gaming Surplus; BIF	\$11,457,812	\$11,462,248	\$4,600,000
Other Dedicated - Operating	1,412,637,454	1,277,326,500	165,714,644
Other Dedicated - Construction			139,511,718
Tobacco Settlement	102,361,001	89,012,182	68,752,433
Federal	913,833,333	909,633,333	
<b>Total (Dedicated and Federal)</b>	<b>\$2,440,289,600</b>	<b>\$2,287,434,263</b>	<b>\$378,578,795</b>
<b>Total - All</b>	<b>\$17,560,950,538</b>	<b>\$17,810,449,564</b>	<b>\$1,090,044,525</b>
* Distributions total includes appropriations of \$100 M in FY 2016 and \$100 M in FY 2017 to the Major Moves 2020 Trust Fund from the code sections of the bill. The Distributions total does not include \$8.776 M for the Alcoholic Beverage Commission Gallonage Tax or \$203,688 for Motor Vehicle Excise Tax Replacement, which are appropriated annually in current statute but not in this bill.			

### K-12 Education Provisions-

*Education Roundtable:* The bill repeals the Education Roundtable and provides that the Commission for Higher Education, the Department of Education, and the Department of Workforce Development perform most of the administrative duties of the Roundtable. The savings are probably minor. The Roundtable has not met since June 2014.

*Legislative Services Agency (LSA):* The bill authorizes the State Board of Education to obtain assistance from LSA to ensure the validity and reliability of the performance category placements computed by the department. LSA could require one additional employee to fulfill this role on an ongoing basis, particularly if a new methodology to determine the performance category of schools and school corporations is implemented. The annual salary and fringe benefit cost could total \$99,000. This estimate is based on personnel time required for LSA to perform this function for the department in 2013 and 2014 and assumes at least this level of work on an ongoing basis throughout parts of the year on this project.

*School Formula:* The bill establishes a school formula for FY 2016 and FY 2017. The basic changes in the school formula from the current FY 2015 formula are the following.

1. The foundation grant is increased from \$4,587 in FY 2015 to \$4,967 in FY 2016 and \$5,088 in FY 2017. New charter schools during the first year of operation are funded at the foundation grant amount instead of the funding per ADM of their resident school corporation.
2. The free textbook percentage used in FY 2015 has been changed to the percentage of students eligible for SNAP, TANF, and foster care services. The change is phased in over a 3-year period starting with FY 2016.
3. The second tier adjustment is replaced with an English Language Learners adjustment in the Complexity Grant's calculation. Additionally, the funding per ADM when computing the Complexity Grant is changed from the foundation grant to \$3,489 for FY 2016 and \$3,539 for FY 2017.
4. In FY 2016, for the purposes of computing tuition support, the restriction on the February count not being less than 90% of the September count of the previous year has been lifted.
5. The transition-to-foundation computation continues the calculation used in FY 2014 and FY 2015. The difference between the foundation dollar amount and previous year revenue is divided by 3 in FY 2016 and 1 in FY 2017.
6. The funding for the Special Education Grant has been changed. The per-student funding for students in programs for severe disabilities has been increased from \$8,350 to \$8,800. The per-student funding for students in programs for mild and moderate disabilities has been increased from \$2,265 to \$2,300. The per-student funding for students in programs for communication disorders and for students in homebound programs has been decreased from \$533 to \$500. The funding for students in special preschool education programs is unchanged at \$2,750 per student.
7. Honors Grant students eligible for the SNAP, TANF, and foster care services programs is increased to \$1,400 per student. The funding for other students remains at \$1,000 per student.
8. The Career and Technical Education Grant has been changed. The high-demand/high-wage course grant has been increased from \$450 to \$500 per credit hour. High-demand/moderate-wage and moderate-demand/high-wage course grants have been increased from \$375 to \$450 per credit hour. The bill also splits the other vocational program courses into introductory courses funded at \$300 and foundation courses funded at \$150 per student. Students enrolled in an apprenticeship course are funded at \$300 per student.
9. The Full-Day Kindergarten grants have been discontinued for FY 2016 and FY 2017. Students in kindergarten are incorporated into the ADM count as 1 instead of ½ of a student.

The following table summarizes the estimated changes over current FY 2015 funding levels.

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Foundation</b>	4,634,755,304	5,250,287,990	5,401,081,505
<b>Transition to Foundation</b>	39,391,299	874,496	0
<b>Complexity</b>	1,151,484,646	901,576,053	902,826,378
<b>Full-Day Kindergarten</b>	193,948,176	0	0
<b>Special Education</b>	523,727,311	541,935,750	548,579,550
<b>Career &amp; Technical</b>	97,091,350	99,723,600	101,082,650
<b>Honors</b>	23,227,000	25,809,220	26,879,804
<b>Total</b>	6,663,625,086	6,820,207,109	6,980,449,887

If the actual distribution exceeds the appropriation of \$6,830.3 M for FY 2016 and \$6,980.5 M for FY 2017, the distribution will be proportionately reduced.

*Adult High Schools:* The bill limits the number of full-time-equivalent students in Adult High Schools funded by the state at 4,455 in FY 2016 and 5,595 in FY 2017. At a per-student funding level of \$6,600, the total maximum funding is estimated to be \$29.4 M in FY 2016 and \$36.9 M in FY 2017.

*Charter and Innovation Network School Grant Program:* The bill establishes the Charter and Innovation Network School Grant Program. A charter school or a innovation network school located in a school city that does not receive a pro rata share of local property tax revenue may qualify for the grant. A charter school has to be in the first or second year of operation, have a performance category of A, B, C, does not receive a performance category, or has a majority of students with developmental, intellectual, or behavioral challenges. The grant is \$500 per student and can be used for capital improvement, the same purposes as a school corporation's Capital Project Fund or the Senator David C. Ford Educational Technology Fund grant, or transportation. The bill appropriates \$10 M annually for the grants

*Charter and Innovation Network School Advance Program:* The bill establishes the Charter and Innovation Network School Advance Program. A charter school or an innovation network school located in a school city that does not receive a pro rata share of local property tax revenue may qualify for an advance from the Common School Fund. A charter school has to be in the first or second year of operation, have a performance category of A, B, C, does not receive a performance category, or has a majority of students with developmental, intellectual, or behavioral challenges. The advance may be up to \$5 M for 10 years at a 1% interest rate. The total amount for the advances for the 2015-17 biennium is \$50 M.

*Performance Awards:* The bill modifies the current performance awards. Based on projected 2015 and 2016 data, approximately 334 school corporations would qualify for awards totaling about \$30 M for FY 2016 and \$40 M for FY 2017.

The first award is based on the percentage of ISTEP and end-of-course assessment tests with passing scores. Schools with either more than a 75% passing rate or at least a 1% increase in their passing rate from the previous year would qualify for a grant. A school with a passing rate of at least 75% to 90% would receive \$23.50 for each passing test. If a school's passing rate is at least 90%, the grant increases to \$47 for each

passing test. If the school has a passing rate under 75%, it can qualify for a growth award if its passing rate increases by at least 1% from the previous year. The growth grant is \$160 for each passing test.

The second award is based on the school corporation nonwaiver graduation rate. A school with a nonwaiver graduation rate over 75% or with at least a 1% increase in its nonwaiver graduation rate would qualify for a grant. A school with a nonwaiver graduation rate of 75% to 90% would receive \$88 for each nonwaiver graduate. A school with a nonwaiver graduation rate of 90% or more would receive \$176 for each nonwaiver graduate. If the school's nonwaiver graduation rate is less than 75%, it can qualify for growth if its graduation rate increases by at least 1%. The growth award is \$1,000 for each nonwaiver graduate.

*Choice Scholarship:* The bill removes the cap on the maximum Choice Scholarship for 1<sup>st</sup> through 8<sup>th</sup> grade students. Of the 29,148 Choice scholarships for FY 2015, 6,378 are limited by the \$4,800 cap. If the cap is removed, the increased cost for FY 2016 is estimated to be about \$3.8 M. The increase is funded from the tuition support appropriation.

*Collective Bargaining:* After a school contract has been ratified, the school has to send the contract to the Education Employment Relations Board (IEERB) for review for the IEERB to make a written recommendation on the contract compliance with the state collective bargaining law. If the IEERB determines the contract is not in compliance they can:

- (1) Order the parties to cease and desist from all identified areas of noncompliance.
- (2) Prevent the parties from ratifying any subsequent bargaining agreement without written board approval.
- (3) Require other action deemed appropriate by the IEERB.

The IEERB also is to review staff evaluation plans for legality. These provisions could increase the IEERB's costs. It is estimated that, depending on the scope of the work, the cost to the agency would be approximately \$646,000 in additional personnel and resources.

#### Higher Education Provisions-

*University Construction:* The bill permits state educational institutions to issue and sell bonds to finance certain construction projects. Except for the Indiana State University Hulman Center Renovation, the maximum amount eligible for fee replacement is the authorized amount. For the Indiana State University Hulman Center, the maximum amount eligible for fee replacement is \$37.5 M. The following is a list of the projects and the associated maximum bonding authority.

<b>Projects</b>	<b>Amount</b>
Indiana University Bloomington - Old Crescent Renovation - Phase II	\$48,500,000
Purdue University West Lafayette Campus - Agricultural and Life Sciences Facility	\$35,000,000
Indiana State University - College of Nursing, Health, and Human Services Renovation	\$64,000,000
Indiana State University - Hulman Center Renovation	\$75,000,000
University of Southern Indiana - Classroom Renovation and Expansion	\$8,000,000
Ball State University - STEM and Health Professions Facility Project, Phase I	\$62,500,000
Vincennes University - Center for Science, Engineering, and Mathematics	\$20,000,000
<b>Total</b>	<b>\$313,000,000</b>

The bill also appropriates \$19.2 M for the IU School of Medicine - Evansville Multi-Institutional Health and Sciences Center.

*University Governance:* The Legislative Services Agency is required to evaluate the role and governance of Indiana University-Purdue University Fort Wayne. A report is due to the Legislative Council by January 16, 2016. The cost of the study is included in the agency's budget.

*Ivy Tech:* The Commission for Higher Education is to review programs offered by Ivy Tech Community College that have low graduation rates. The commission should be able to review the required programs with their current resources.

*Multisystem Metropolitan University:* The bill designates Indiana University-Purdue University Fort Wayne as a multisystem metropolitan university. The short-term impact should be minor. The long-term impact would depend on the action of the Commission for Higher Education and Indiana University-Purdue University Fort Wayne.

*Return and Complete Project:* The Commission for Higher Education should be able to adopt guidelines for postsecondary educational institutions concerning the administration of the Return and Complete Project. State educational institutions are to conduct targeted outreach to return and complete students or provide student record data to the commission for use in targeted outreach. State educational institutions may offer financial aid or tuition discounts that are exclusively for Return and Complete students.

*Tuition Increases:* The Commission for Higher Education is to review and compile the tuition increase at each state educational institution for FY 2016 and FY 2017 and submit a report for each year to the Budget Committee and the Legislative Council.

*Retirement Liability Bonds-* The bill allows a state educational institution to issue bonds for payment of retirement liabilities and pay proceeds of the bonds to INPRS or to establish debt service reserves or sinking funds. These bonds are not considered debt or liability of the state and no moral obligation exists for the state to pay these liabilities.

Directly impacted by this provision are four state educational institutions that are known to have "frozen" new employees from participation in PERF since December 31, 2010. In other words, these state educational institutions opted to restrict new employees from enrolling in PERF. However, the institutions are still liable for the future benefits payable for their current and former employees who are still enrolled in PERF.

These institutions include Ivy Tech, Indiana University, Purdue University, and the University of Southern Indiana. The net present value of the liabilities owed by these institutions due to their decision to "freeze" enrollment into PERF is \$73 M.

These institutions will also continue to pay the standard PERF employer contribution rate on the payroll for those employees still in PERF until such time as those employees are no longer employed by these institutions.

#### State Administration-

*State Budget Agency Procedures-* The bill requires that the State Budget Agency must provide a list of tax expenditures for individual income tax and corporate income tax with the budget report. Additionally, the bill requires that the State Budget Agency may not withhold or refuse to allot money from the personal

services/fringe benefits contingency fund for certain agencies and may also not refuse to allot appropriations for a state educational institution without review by the budget committee. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*Office of State-based Initiatives-* The bill creates the Office of State-based Initiatives, to review the state's federal grant opportunities and subject each grant opportunity to a cost-benefit analysis that will measure the fiscal impact and regulatory impact of the grant to determine whether the grant opportunity should be pursued. The office has various study and reporting responsibilities. The bill provides an appropriation for the administration of the office. The bill correspondingly repeals the Federal Aid Management Division of the State Budget Agency.

*State Board of Accounts-* This bill increases the fee for taxing units and soil and water conservation districts for State Board of Accounts audits from \$45 per day to \$175 per day. The bill also specifies that the fee for state colleges and universities is the direct and indirect cost of an examination (now \$83 per hour). It also permits a state college or university to have its examination performed by an independent certified public accounting firm. It provides that fees collected for audits are to be deposited in the State Board of Accounts Trust and Agency Fund and makes the fund a dedicated fund that can be used to cover expenses of doing audits.

*Indiana Tourism Council-* The bill alters the composition of the Indiana Tourism Council and reduces the number of members from 17 to 10. In addition, the bill grants the council the authority to approve and deny applications for the statewide Tourism Marketing Development Program. The Tourism Marketing Development Program was appropriated a total of \$2 M over the biennium.

#### *Social Services, Medicaid, and HIP-*

*211 Human Services Information-* This bill requires the Indiana Utility Regulatory Commission (IURC) to complete a study looking at the feasibility of having 211 service providers take over the operation of toll-free telephone numbers operated by state agencies that serve as information resources for human services and social services. The report must be provided to the Budget Committee by December 1, 2015. The completion of the study could potentially require the hiring of an entry-level analyst with salary costs of about \$50,000 to \$58,000.

*Healthy Indiana Plan (HIP) and Medicaid Provisions-* The bill establishes new duties for the Hospital Assessment Fee Committee, comprised of the Secretary of the Family and Social Services Administration, the State Budget Director, and two members nominated by the Indiana Hospital Association and appointed by the Governor. The committee is to establish a hospital assessment fee formula in an amount sufficient to fund the state share of HIP 2.0 expenses in excess of the available cigarette tax dollars plus \$11.5 M that is designated to be deposited annually for four years into the Phaseout Trust Fund. The bill specifies that interest accruing on the investment of money in the nonreverting Medicaid Fee Fund is to be deposited in the fund. (The Hospital Assessment Fee (HAF) is the source of money in the Medicaid Fee Fund).

The bill changes the name of the Indiana Check-up Plan Trust Fund to the Healthy Indiana Plan Trust Fund and includes as an authorized use, the transfer of money for the purpose of matching federal funds to meet the expenses of the Healthy Indiana Plan. The bill requires the entire annual cigarette tax allocation that is deposited in the HIP Trust Fund (\$112.7 M) to be used to fund the state share of the cost of the HIP 2.0 with the exception of the appropriation for the childhood immunization program (\$11.0 M).

The bill establishes the Phaseout Trust Fund for the purpose of holding monies necessary to fund the state share of HIP 2.0 expenses during a phaseout of the program. The bill requires the deposit of \$11.5 M for each of four years beginning July 1, 2016. The source of this funding will be the incremental Hospital Assessment Fee if it is implemented and any interest earned on investments.

The nonreverting Incremental Hospital Fee Fund is established to hold the portion of the Hospital Assessment Fee designated to provide part of the state share of the funding necessary for HIP 2.0. Interest earned on the investment of money in the fund is to be deposited in the fund. Upon the beginning of a phaseout period of the HIP 2.0, money in the fund including interest is to be returned to the hospitals on a pro rata basis.

The bill provides language for the phaseout of the program should the federal financial participation rate change or the Incremental HAF formula not provide sufficient funding to meet the expenses of HIP 2.0. Any funds in the HIP Trust Fund would first be used for the state share of phaseout expenses. (Currently the HIP Trust Fund has a balance of approximately \$340 M.) Funds collected under the incremental HAF and deposited in the Phaseout Trust Fund would be available once the HIP Trust Fund is exhausted. Any residual money in the Phaseout Trust Fund at the conclusion of the phaseout period would be returned to the hospitals on a pro rata basis.

*Reimbursement Rates-* The bill requires the Medicaid reimbursement rate for community residential facilities for the developmentally disabled and for ICF/MRs be increased by 3% from the rate in effect on December 31, 2014. This provision is estimated to result in an additional \$1.0 M in annual state expenditures for Medicaid.

The bill also requires an increase in the reimbursement rate for home and community-based waiver services provided to individuals receiving services in excess of 35.5 hours per week. Rates are to be increased by 2.5% in FY 2016 and by 5% in FY 2017 over the rates in effect on June 30, 2015. This provision is estimated to result in an additional \$3.2 M in state expenditures over the FY 2016-2017 biennium.

#### *Economic Development-*

*Motorsports Investment District Fund-* The bill modifies the procedure to request an appropriation. However, the total appropriation to the Indiana Motorsports Investment District Fund is still limited to \$7 M per fiscal year. This provision has no fiscal impact.

*Motorsports Improvement Program and Fund:* The bill allows the IEDC to provide grants from the Motorsports Improvement Program Fund. Current statute only allows loans to be provided from the fund. A grant may be awarded to a county, city or town to make infrastructure improvements to enhance a motorsports enterprise. A grant may not exceed \$1 M per recipient, and only 50% of the fund balance at the beginning of the fiscal year may be used to provide grants. In addition, the bill requires the IEDC to award the following grants before June 15, 2015: \$0.4 M to Henry County and \$1.0 M to the city of Brownsburg.

*21<sup>st</sup> Century Research and Technology Fund (21 Fund)-* This bill changes the approval procedure for investments from the 21 Fund. The State Budget Agency (SBA) will no longer have the authority to deny or modify a loan or grant from the 21 Fund as recommended by the Indiana Economic Development Corporation (IEDC). The SBA will review each recommendation to verify and approve available funding. The bill also requires the IEDC to semiannually report to the State Budget Committee on activity within the 21 Fund, and they are required to report loans and grants made from the 21 Fund on a quarterly basis. Current law requires all recommendations to be reviewed by the State Budget Committee. This provision may result

in an indeterminable amount of additional investments made from the 21 Fund.

In addition, \$10 M will be transferred to the 21 Fund from the Department of Insurance Fund beginning in FY 2016. [The 21 Fund had a balance of \$71.2 M as of December 19, 2014.]

#### Transportation Provisions-

*Major Moves-* The bill allows the Budget Agency upon review of the Budget Committee to transfer not more than \$100 M from the state General Fund to the Major Moves 2020 Trust Fund in FY 2016 and another transfer of not more than \$100 M from the state General Fund to the Major Moves 2020 Trust Fund in FY 2017. If the Budget Agency makes either of these transfers in FY 2016 or FY 2017, then the Budget Agency may transfer the lesser of \$200 M or the amount of the transfers to the Major Moves Construction Fund.

The Major Moves 2020 Trust Fund is to be used exclusively for major highway expansion projects that enhance the ability of goods to be transported in and through Indiana.

The Major Moves Construction Fund is overseen by the Indiana Department of Transportation (INDOT). This funding may be used for any purpose of the Construction Fund, which includes any obligation incurred by the Indiana Finance Authority, INDOT, or an operator in connection with the execution and performance of public-private agreements for tollways or toll roads, for lease payments to the Indiana Finance Authority, and to fund projects in INDOT's transportation plan. Money in the Construction Fund may not be used in connection with a public-private agreement concerning a passenger or freight railroad system.

*Northwest Regional Development Authority Provisions-* The bill creates a state matching grant program to the Northwest Regional Development Authority (RDA) for construction projects extending the Chicago, South Shore, and South Bend Railway (South Shore). The bill also creates the RDA Commuter Rail Construction Fund, a restricted fund for the purpose of holding money to be used to provide the matching grants.

In order to receive the matching grant funds from the state, the RDA must prepare an update to the comprehensive strategic development plan that outlines the proposed uses of the grant funds, including projections to determine the return on investment from projects undertaken with the grant funds, proposed projects to extend the South Shore, as well as commitments from local political subdivisions in exchange for receiving matching grants from the RDA. All grant projects must realize a return on investment within 20 years after the first grant is made that is at least twice the annualized amount of the grant requested. Additionally, the RDA is to submit a progress report of all grant projects to the Indiana Finance Authority in July of each year until 2045.

The RDA Commuter Rail Construction Fund consists of appropriations to the RDA (\$12 M in the biennium according to the bill), existing RDA funding sources, local CEDIT contributions, federal grants, and gifts. Money in the fund may only be used to pay debt service on bonds issued for construction on South Shore, matching grants to local political subdivisions, administrative expenses, and refunds to local units as necessary for contributions that are no longer necessary.

The bill's requirements are within the RDA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.



### Court Provisions-

*Problem-Solving Courts-* The Indiana Judicial Center will likely need to contract with an outside authority (such as a university with a graduate school program) to examine the feasibility of establishing a veteran's court in each of the judicial districts in Indiana. According to the Indiana Rules of Court Administrative Rule 3, 26 administrative districts exist in the state. Trial courts in 14 counties reported that they operated veteran courts during March 2015.

*Enhanced Enforcement Drug Mitigation Area (EEDMA) Pilot Program-* The bill establishes the EEDMA Pilot Program, which is to be administered by the Indiana Criminal Justice Institute (CJI) and funded with a \$250,000 annual appropriation during the biennium. Increases in CJI workload are expected to be accomplished within the annual appropriation included in the bill. The pilot program expires at the end of FY 2019.

*Domestic Violence Prevention and Treatment Programs –* The CJI would likely need to collaborate with an outside authority (such as a university with a graduate school program) to perform these evaluations. CJI has an internal research staff, which should be able to prepare the report.

*Criminal Sentencing Mitigation in Cases of Posttraumatic Stress Disorder, Traumatic Brain Injury, or a Postconcussive Brain Injury –* This could reduce the criminal sentences of some offenders. LSA is not able to quantify the specific effect of this new mitigating factor.

### Miscellaneous Provisions-

*Historic Preservation Grant Program-* The bill establishes the Historic Preservation Grant Program beginning in FY 2017. It allows the Office of Community and Rural Affairs (OCRA) to provide a grant to a person who undertakes a qualifying historic rehabilitation project. The maximum allowable grant equals 20% of the qualifying rehabilitation expenses approved by OCRA. The total grants awarded through this program will depend on the number of applicants, OCRA's approval process, and the amount of funds appropriated to the program. The bill appropriates \$1.25 M in FY 2017, and it limits the total amount of grants awarded each year to the amount appropriated by the General Assembly.

The OCRA will incur additional expenses to implement the Historic Preservation Grant Program. The bill's requirements represent an additional workload and expenditure on the agency outside of the agency's routine administrative functions. According to the agency, it will require at least one dedicated FTE with a total annual cost of approximately \$100,000.

*Retirement Medical Benefits Account-* The bill removes the existing June 30, 2017, retirement deadline for a participant in the Retirement Medical Benefits Account. However, those participants who are eligible for an additional contribution (based on years of service) as of June 30, 2017, shall have the additional contributions frozen, with no additional contributions (bonus or regular) made to their account after that time. In effect, the bill allows individuals who would otherwise be eligible for the additional contribution to receive the additional contribution while not being required to retire by June 30, 2017.

Due to these provisions, it is assumed that approximately 3,200 individuals may receive a bonus contribution who otherwise would not have done so (as their plans include delaying retirement past the existing retirement deadline date), while not receiving any additional regular contributions for the remaining time which they are employed by the state. These provisions together may cost the state as much as \$81 M in additional contributions, depending upon the retirement decisions of state employees who are eligible for an unreduced

retirement on or before June 30, 2017.

According to the 2014 valuation report for the Retirement Medical Benefits Account, total current liabilities are \$234.3 M and total market value of assets are \$245.4 M. This equates to a funded percentage (on an actuarial basis) of 105%. The addition of \$81 M in additional liabilities would potentially decrease to a funded percentage below 80%. A more precise cost from these provisions would require an actuarial analysis.

The funds affected by the bill are the annual state contributions on behalf of participants (\$48.7 M in the most recent biennium) as well as future cigarette tax revenues. Currently, 4% of cigarette tax revenues, or \$17.6 M in FY 2014, is directed for this purpose.

*Leave Conversion Pilot Program-* This bill extends the leave conversion pilot program for legislative and judicial branch state employees through June 30, 2016. The fiscal impact of this provision will depend on legislative and judicial branch actions and in appropriations. Annual expenditures since FY 2008 for the current leave conversion pilot program are between \$0.22 M and \$0.39 M per year

The current leave conversion pilot program allows legislative and judicial branch state employees to annually convert vacation leave hours and sick leave hours to cash that is deposited into a 401(a) retirement savings account. The conversion rate is 60% of an employee's hourly pay rate. The number of hours an employee can convert each year depends on the employee's balance of vacation leave and sick leave hours.

*Thirteenth Check-* The bill provides for a thirteenth check in FY 2016, the amount of which is based on the years of service of the member, with the exception of the two State Police plans, which utilize different increase formulas under the bill. The cost of the thirteenth check is \$47.5 M in FY 2016. The following table provides additional details of the cost to the state due to the thirteenth check formula and funding plan.

<b>State Increase in Pension Benefits from Thirteenth Checks</b>			
	<b>Qualified Retirees/ Beneficiaries (Approx.)</b>	<b>Average 13th Check Amount</b>	<b>Total Cost in FY 2016</b>
<b>PERF (State)</b>	25,100	\$336	\$8.4 M
<b>PERF (Local )</b>	50,900	\$336	\$17.1 M
<b>Pre-1996 TRF</b>	49,300	\$412	\$20.3 M
<b>1996 TRF (Local)</b>	3,700	\$367	\$1.3 M
<b>Excise, Gaming and Conservation (EG &amp; C Fund)</b>	200	\$332	\$0.07 M
<b>Indiana State Police Pre-1987</b>	650	\$232	\$0.1 M
<b>Indiana State Police 1987</b>	550	\$250	\$0.1 M
<b>TOTAL</b>	<b>130,400</b>		<b>\$47.5 M</b>
This cost estimate uses actuarial data as provided by INPRS, for PERF, TRF, and the EG & C Fund. The State Police cost is a preliminary, nonactuarial estimate using retiree data. Both the State Police preliminary cost estimate and the estimated average thirteenth check amounts are calculated by LSA's Office of Fiscal and Management Analysis. Some numbers may not sum due to rounding.			

All of the INPRS funds use a 1% COLA assumption each year when calculating the employer contribution rate. The total amount needed for this provision for thirteenth checks is less than the cost of a 1% COLA,

if the COLA were granted. Therefore, the bill should not have a negative impact on the employer contribution rates, so long as the INPRS board continues to use this 1% COLA assumption. However, the fact that the thirteenth check amounts are prefunded does not negate the ultimate cost of the thirteenth check. The bill indicates that employer contribution rates will only be used to pay for these benefits in the event that insufficient funds are appropriated for the thirteenth checks.

The thirteenth check amounts for PERF, TRF, and the EG&C Fund are based on years of service. Amounts for eligible PERF and TRF retirees are as follows:

- (1) \$150 for retirees with at least 5 and less than 10 years of service at retirement (disability);
- (2) \$275 for retirees with at least 10 and less than 20 years of service at retirement;
- (3) \$375 for retirees with at least 20 and less than 30 years of service at retirement; and
- (4) \$450 for retirees with at least 30 years of service at retirement.

Amounts for eligible EG&C retirees are as follows:

- (1) \$125 for retirees with at least 5 and less than 10 years of service at retirement (disability);
- (2) \$235 for retirees with at least 10 and less than 20 years of service at retirement;
- (3) \$325 for retirees with at least 20 and less than 30 years of service at retirement; and
- (4) \$400 for retirees with at least 30 years of service at retirement.

The thirteenth check amounts for State Police 1987 System retirees are based on 1% of the maximum basic annual pension amount payable to a retired State Police trooper with 25 years of service. The thirteenth check amounts for State Police Pre-1987 System retirees are based on 1% of the maximum basic annual pension amount payable to a retired State Police trooper with 20 years of service.

*Study Provisions-* The bill urges the Legislative Council to assign to various study committees during the 2015 interim the topics of the EDGE tax credit program, school capital projects funds, charter schools, and special education for developmentally delayed children.

The Legislative Council could assign the topics to existing interim study committees or establish new committees to study each of these topics during the next interim. Interim study committees operate on budgets established by the Legislative Council based on committee size. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members and \$16,500 for committees with 16 members or more. If the Legislative Council were to assign these topics to existing committees and a committee were to have any extra meetings to address a topic, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget.

*Public-Private Agreements for Facility Projects-* *Public-Private Agreements for Facility Projects:* This bill allows for public-private agreements for the Potato Creek State Park, state owned cell tower projects, and the Larue D. Carter Memorial Hospital in Indianapolis to be entered into by the Indiana Finance Authority (IFA). Concerning the Larue D. Carter Memorial Hospital, the IFA would be required to present a feasibility plan and cost estimate for the project to the State Budget Committee before borrowing money or issuing bonds. The bill also provides that the IFA may enter into a public-private agreement for a facility project if the General Assembly provides authorization by statute. The fiscal impact of these public-private agreements would depend on the circumstances of each proposed project.

In addition, the bill provides that the Indiana Department of Administration may rent out state-owned communications system infrastructure for no longer than 25 years at a time. Current statute limits the renting out of state-owned property to 10 years at a time.

Public-private agreements can provide for the sharing of resources and project risks with the private sector and provide for access to private-sector financial markets. These agreements may result in the following fiscal implications depending on the contract: the lease of a state asset could receive more money than would have been generated by long-term net revenues; the transfer of risk to another party could result in a premium paid by the state; the assignment of future revenues to entities that would have accrued to the state absent the agreement; capital and operating leases that could obligate the state to long-term budget commitments.

*Public Works Projects-* The bill makes a variety of technical changes to HEA 1019-2015 (common construction wage and public works) and delays the implementation of some of the public works project requirements from July 1, 2015, to July 1, 2016.

*Political Subdivision Risk Management Fund / Political Subdivision Catastrophic Liability Fund-* The bill requires the State Budget Agency to make a one-time transfer of the balance of the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund, less \$5 M, to the General Fund. For FY 2014, these two funds maintained a balance of approximately \$9 M. The transfer requirement in this bill is expected to increase one-time revenue to the General Fund by \$4 M.

The bill also requires the Department of Insurance to make certain reports to the Budget Committee, which are expected to be accomplished with existing resource and funding levels.

**Explanation of State Revenues:** This bill has the following state revenue impacts.

*Secretary of State Filing Fees-* The bill increases certain fees for filing documents with the Business Services Division of the Secretary of State. The new fees only apply to documents not filed electronically. The fee increases are effective in FY 2017 and are estimated to increase state General Fund revenue by about \$400,000. The additional revenue associated with the new fees will likely decrease in the future as more businesses file documents electronically.

#### *Tax Provisions-*

*Tax Credit for Certain For-Profit Hospitals-* The bill establishes a corporate adjusted gross income (AGI) tax credit for acute care for-profit hospitals. The credit equals 10% of the property taxes paid on property used as a hospital. The credit applies to taxable years after December 31, 2015. The provision may annually reduce revenue deposited in the state General Fund by \$0.2 M to \$0.5 M beginning in FY 2017. The exact revenue loss will depend on the number of qualifying parcels and the associated amount of property tax assessed. Unused credits may not be carried forward, carried back, or refunded.

*EDGE Credits-* The bill caps the total amount of EDGE tax credits the IEDC can award to \$225 M in FY 2016. The cap expires in FY 2017. This provision will not have an immediate impact on state revenue because the cap equals the average of the total EDGE credits the IEDC has contracted to provide businesses in the last two years.

*Tax Amnesty Program-* Under the bill, the State Department of Revenue (DOR) is to adopt emergency rules to establish a tax amnesty program for listed taxes due and payable for a tax period ending before January

1, 2013. The program would not last more than eight weeks, and it would end before January 1, 2017. Using the average and median collection rates of similar programs, the proposed tax amnesty program could collect about \$109 M to \$159 M. The first \$84 M of amnesty revenue must be deposited into the Indiana Regional Cities Development Fund. The next \$6.0 M is required to be transferred to INDOT for the operation of the Hoosier State Rail Line. Any remaining revenue attributable to the amnesty program will be deposited in the state General Fund. [The Indiana Regional Cities Development Fund is a nonreverting fund established in this bill to support the IEDC's regional cities initiative.]

*Tax Credit for Natural Gas-Powered Vehicles-* The bill allows taxpayers to claim a credit for qualifying purchases made after 2012, and the annual limit on the amount of credit that may be awarded to a single taxpayer does not apply to purchases made in 2013. However, the credits for purchases made in 2013 may only be used against the Sales Tax on qualifying natural gas product purchases made after FY 2015. Data are not available to provide a specific estimate, but the total credits awarded in a year may not exceed \$3 M. [Under current statute, only purchases made after 2013 qualify for the credit. In addition, the maximum credit a person can receive is \$150,000 a year, and the credit must be used against a state AGI Tax liability.]

*Tax Credit for Classroom Supplies-* The bill provides a nonrefundable individual income tax credit for expenditures incurred toward classroom supplies by a teacher in Indiana. For purposes of the tax credit, the definition of classroom supplies is based on the federal educator expense deduction. The amount of the tax credit is the lesser of : (1) \$100 or; (2) the amount of expenditure towards classroom supplies by the taxpayer. The tax credit cannot be carried forward or carried back. The federal deduction was claimed by 65,620 Indiana educators in tax year 2012. Until tax year 2012, Indiana required the add-back of the amount of the federal educator deduction claimed by Indiana taxpayers to calculate Indiana adjusted gross income, which resulted in 64,249 Indiana taxpayer's adding back the amount of federal deduction claimed in 2012. Based on the federal deduction and Indiana add-back counts in 2012, it is estimated that about 65,000 taxpayers will claim \$6.5 M in the educator expense tax credit. Since the tax credit is effective in tax year 2015, the fiscal impact will begin in FY 2016.

*School Scholarship Tax Credits-* The bill increases the school scholarship tax credit cap from \$7.5 M to \$8.5 M in FY 2016 and \$9.5 M in FY 2017 and years thereafter. To the extent that the credit claimed in FY 2016 and thereafter is above \$7.5 M, the bill would result in loss of revenue to the state General Fund. Tax credits claimed annually by taxpayers have ranged from 109 total claims for \$0.2 M in 2010 to 1,936 total claims for \$3.4 M in 2013. Additionally, DOR reports that as of April 29, 2015, \$7.1 M in credits have been claimed in FY 2015.

*Historic Rehabilitation Tax Credit:* The bill prohibits the OCRA from certifying new Historic Rehabilitation Tax Credits for investments made after June 30, 2016. However, taxpayers will still be allowed to claim credits previously awarded. The fiscal impact of the provision will likely begin in FY 2025 because the queue of taxpayers waiting to claim certified credits for prior investments extends to FY 2024. The provision will likely increase state General Fund revenue by approximately \$200,000 annually beginning in FY 2025.

#### *Economic Development-*

*Marion County Capital Improvement Board (CIB)-* The bill extends the terms of an obligation issued in 2010 to 15 years if the CIB before July 1, 2015, fully pays a \$9.0 M note issued in 2009. In addition, the bill allows the CIB to deposit the debt service payments on the 2010 note that would have otherwise been paid to the Treasurer into the Bid Fund. If the CIB fulfills the terms in statute, the state will forgive the interest on the 2010 note and only require the repayment of the \$9.0 M principal. The total interest on the 2010 note is estimated to be about \$2.3 M.

### Court Provisions-

*Automated Record Keeping Fee and State User Fee Fund* – The estimated new revenue for the State User Fee Fund is \$8.57 M during FY 2016 and FY 2017. Under current statute, revenue from the \$5 automated record keeping (ARK) fee (effective July 1, 2015) was collected for all eligible cases filed or disposed in trial courts and city and town courts in all counties and township small claims courts in Marion County. If the courts in a county operated under the automated judicial system (Odyssey Case Management System), the State User Fee Fund received 100% of the fee. If the trial courts in the county did not operate under the automated judicial system, the State User Fund received 80% of the fee. The balance (20%) is deposited in the clerk record perpetuation fund at the county level. LSA estimates that this 20% balance is \$195,000.

Under HEA 1001 – 2015, the ARK fee temporarily increases from \$5 to \$19 between July 1, 2015, and June 30, 2017, and the State User Fee Fund will now receive 100% of the fee revenue regardless of whether the trial courts in the county operate under the judicial automated system. The 20% balance will permanently be transferred to the State User Fee Fund from the County Clerk Record Perpetuation Fund effective upon passage. Since the transfer is effective upon passage, the State User Fee Fund is expected to collect this 20% share for both May and June 2015. The added revenue from the ARK Fee is limited to FY 2016 and FY 2017. Effective July 1, 2017, this fee is reduced to \$5.

The following table shows the effects of these two provisions on the state User Fee Fund.

Effect on State User Fee Fund (in \$M) by Fiscal Year						
	Automated Record Keeping Fee	New Revenue from ARK Fee Increase from \$5 to \$19		20% Share from Clerk Record Perpetuation Fund**		Net Change
FY 2015	\$7		+	\$0.03	=	\$0.03
FY 2016	\$19	\$8.38	+	\$0.19	=	\$8.57
FY 2017	\$19	\$8.38	+	\$0.19	=	\$8.57
FY 2018	\$5*		+	\$0.19	=	\$0.19
* No change from fee amount under law prior to HEA 1001-2015.						
** Effective upon passage; Will likely transfer collections from Record Perpetuation Fund in May and June, 2015.						

### Miscellaneous Provisions-

*Securities Rating Settlement Fund*- The bill creates a nonreverting Securities Rating Settlement Fund to be administered by the State Budget Agency. Money received under a multistate agreement related to litigation concerning the rating processes used by Standard & Poor's Financial Services and McGraw Hill Financial, Inc, will be deposited in the fund. Under the settlement agreement, Indiana has received about \$21.5 M in FY 2015. The money deposited in the fund would be distributed to in the following manner: (1) \$14.5 M (or 67.67%) to the state General Fund; (2) \$3.5 M (or 16.165%) to the Securities Division Enforcement Account; and (3) \$3.5 M (or 16.165%) to the Consumer Fees and Settlements Fund.

*Racino Provisions*- The bill provides that the State Fair Commission could use the \$125,000 in racino AGR

currently distributed as grants to county fairs to also provide grants to the Johnson County Department of Parks and Recreation. These grants are used to support standardbred racing. It makes changes to the membership of the grant review committee. It also sets matching requirement for the recipient of the grants in the Johnson County.

The bill also provides that the first \$150,000 from the set-aside racino AGR would be deposited in the Gaming Integrity Fund to be used to pay the cost of taking and analyzing equine specimens.

*Postwar Construction Fund-* The bill changes the distribution of the \$0.115 per gallon tax on beer by decreasing the distribution to the Postwar Construction Fund by \$0.01 per gallon and increasing the distribution to the Enforcement and Administration Fund by \$0.01 per gallon. This change, which takes effect on July 1, 2015, would result in a redistribution of approximately \$1.21 M in FY 2016 and \$1.22 M in FY 2017. [Under current law, \$0.0475 per gallon of beer sold is distributed to the Postwar Construction Fund, and \$0.0075 per gallon is distributed to the Enforcement and Administration Fund.]

*Public-Private Agreements for Facility Projects-* According to the IFA and the Office of Management and Budget, the leasing of state owned cell towers could result in about \$50 M in state revenue for FY 2016. This bill provides that revenue received from these public-private agreements shall be transferred to the State Bicentennial Capital Account within the state General Fund to be used for capital projects that commemorate the bicentennial of Indiana's statehood. Expenditures made from the State Bicentennial Capital Account will be made by the State Budget Agency through consultation with the Indiana 2016 Bicentennial Commission.

**Explanation of Local Expenditures:** This bill has the following local expenditure impacts.

#### K-12 Education Provisions-

*Master's Degree:* A school may provide a supplemental payment in excess of the amount stated in the school's compensation plan to a teacher who has earned a master's degree. The impact would depend on local school board action. Any increase would be paid with current school resources.

*School Insurance and Utilities:* The maximum amount of capital project fund (CPF) money statewide that can be used to pay the costs of insurance and utilities is about \$204.5 M each year, or 3.5% of a school corporation's 2005 calendar year school formula revenue. Under current statute, this provision is only valid through CY 2015. This bill would allow schools to use CPF money to pay insurance and utilities costs through FY 2017. School expenditures from CPFs for utilities and property insurance has varied between \$176.3 M and \$183.6 M over the last three calendar years.

#### Court Provisions-

*Criminal Sentencing Mitigation in Cases of Posttraumatic Stress Disorder, Traumatic Brain Injury, or a Postconcussive Brain Injury* – If a court orders a person's sentence to be suspended and the person to be placed on probation, the court would have the discretion to require the person to receive treatment for the person's injuries. If the person's injuries are not able to be paid from other third-party sources, any costs incurred by the court budget are indeterminable.

### Miscellaneous Provisions-

*Thirteenth Check-* The local share of PERF is funded through employer contributions, as is the case for local school corporations for 1996 TRF. Employer contribution rates for PERF and 1996 TRF will only pay for these thirteenth checks in the event that appropriations do not cover the cost of the thirteenth checks for FY 2016.

*Public Works Projects-* See *Explanation of State Expenditures*.

**Explanation of Local Revenues:** This bill has the following local revenue impacts.

### K-12 Education Provisions-

*ADM Count:* Under the bill, the restriction that the spring ADM count cannot be less than 90% of the fall ADM has been lifted. This provision could result in reduced tuition support distributions for some schools for the second six months of the fiscal year.

*School Remediation:* The bill requires schools to have a written remediation plan that has been adopted at a public hearing before a school corporation can spend up to 1% of their state tuition support on remediation. After adopting the plan the school corporation is to file the plan with the Department of Education. The bill should have no fiscal impact except for the reporting requirement to the Department of Education.

### Tax Provisions-

*Gary Community School Corporation-* The bill will permit the state's Distressed Unit Appeals Board (DUAB) to hold a public hearing to review Gary Schools' finances. The DUAB may, with the consent of the school corporation, select a financial specialist to take financial control of the school corporation for up to 12 months.

The DUAB will recommend three candidates, and the school corporation will have 21 days to choose one. If the school corporation does not make a choice within 21 days, the DUAB's oversight is terminated. If a financial specialist is chosen, then the DUAB may:

- (1) Work jointly with the city of Gary and the financial specialist to develop a financial plan for the school corporation;
- (2) Delay or suspend any payments from the school corporation on loans or advances from the Common School Fund; and
- (3) Recommend that the State Board of Finance make an interest-free loan to the school corporation from the Common School Fund.

The financial specialist may request technical consulting services from the Indiana Association of School Business Officials (IASBO). IASBO will determine the appropriate consultants. Consulting expenses, if any, will be paid from DUAB funds.

### Economic Development-

*Marion County Capital Improvement Board-* The bill allows the CIB to establish a Bid Fund. The revenue deposited in the Bid Fund must be used by the CIB, Indianapolis Convention and Visitors Association, or the Indiana Sports Authority to secure events. It authorizes the CIB to deposit debt service payments on a 2010 note into the fund that would have otherwise been due to the state. This may free about \$750,000 a year



to be deposited into the Bid Fund. This estimate assumes the CIB will fulfill the conditions needed to extend the term of the 2010 note from 10 to 15 years. If the CIB fulfills the terms in statute, they will only be required to repay the \$9.0 M principal on the 2010 note. The interest on the note will be forgiven.

#### Transportation Provisions-

*Northwest Regional Development Authority Provisions-* The RDA serves Lake and Porter Counties. Political subdivisions within these counties must commit CEDIT revenue annually to the Indiana Regional Development Commuter Rail Construction Fund to participate in the grant program. The CY 2015 certified distribution of CEDIT revenue for Lake County is \$25.4 M, and the distribution for Porter County is \$22.7 M. Porter County must use the portion of CEDIT currently dedicated to providing homestead credits. This will likely increase property tax bills for those homesteads that have not already reached the property tax cap.

#### Court Provisions-

*Automated Record Keeping Fee, Document Storage Fee and State User Fee Fund* – The Clerk’s Record Perpetuation Fund receives revenue from the following five sources:

1. Fees for transmitting documents by facsimile machine to a person under IC 5-14-3.
2. Document storage fees (currently \$2; increased to \$5 between July 1, 2015, and June 30, 2017, and then reduced to \$2, effective July 1, 2017).
3. Certain late payment fees (IC 33-37-7-2).
4. Fees required under IC 29-1-7-3.1 for deposit of a will.
5. 20% of automated record keeping fees in counties that do not operate under the state’s automated judicial system (permanently transferred to the State User Fee Fund effective upon Governor’s signing).

Under current law, the clerk may use money from this fund to preserve records, improve the court’s record keeping systems and equipment and for a case management system.

The following table shows the estimated net revenues and how the net change in the revenue to the Clerk’s Record Perpetuation Fund is estimated.

<b>Impact (in \$ M) on the Clerk’s Record Perpetuation Fund by Calendar Years</b>						
	<b>Document Storage Fee</b>	<b>New Revenue from Document Storage Fee Increase from \$2 to \$5</b>		<b>Revenue Loss from Transfer to State User Fee Fund*</b>		<b>Net Revenue Change</b>
CY 2015	Increase from \$2 to \$5 on 7/1/2015	\$1.28	-	\$0.03	=	\$1.24
CY 2016	\$5.00	\$2.55	-	\$0.19	=	\$2.36
CY 2017	Reduce from \$5 to \$2 on 7/1/2017	\$1.28	-	\$0.19	=	\$1.09
CY 2018	\$2.00	\$0.00	-	\$0.19	=	(\$0.19)
* Effective upon passage; Will likely transfer collections from the Clerk’s Record Perpetuation Fund to State User Fee Fund in May and June 2015						

*Statewide 911 Board-* Local PSAPs receive revenues from the 911 fee that remain after the Statewide 911

Board retains a portion to cover its costs. Beginning in CY 2015 under current law, counties may not receive a PSAP distribution if more than two PSAPs exist in the county. This provision requires the Statewide 911 Board to hold those distributions in reserve until the county complies with the PSAP limit.

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:** Assorted.

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